



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
KENTON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



**EXECUTIVE SUMMARY  
AUDIT EXAMINATION OF THE  
KENTON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Kenton County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition**

- General Fund Type operating revenues increased by \$2,848,358 and budgeted expenditures increased by \$969,181 from the prior fiscal year; however, fund balances decreased by \$361,238. Operating revenues from the General and Occupational License Tax Fund generated eighty-seven percent of the operating revenues for all General Fund Type accounts. Budgeted expenditures from the General and Occupational License Tax Fund accounted for sixty-eight percent of the budgeted expenditures for all General Fund Type accounts.
- Special Revenue Fund Type operating revenues decreased by \$130,736, budgeted expenditures decreased by \$28,889, and fund balances decreased by \$28,073. The CDBG fund generated eighty-two percent of the operating revenue and is responsible for all of the budgeted expenditures for Special Revenue Fund Type accounts.

**Notes To Financial Statement**

**Receivables:**

Receivables were due the Community Development Block Grant Fund for loans made from grant funds totaling \$331,287 as of June 30, 2001.

**Long-Term Debt:**

Bond principal outstanding for the PPC Fund (Nursing and Health Care Facilities Bond Issue) totaled \$1,960,000 as of June 30, 2001. Bond principal outstanding for the PPC Fund (Park and Recreational Facilities Project Bond Issue) totaled \$2,160,000 as of June 30, 2001. Bond principal outstanding for the PPC Fund (Parking Facilities Project Bond Issue) totaled \$15,135,000 as of June 30, 2001. Bond principal outstanding for the PPC Fund (Courthouse Facilities Project Bond Issue) totaled \$19,295,000 as of June 30, 2001.

**Long-Term Participation Agreement:**

Revenue bonds outstanding for the purpose of construction and reconstruction of jail facilities totaled \$3,119,231 as of June 30, 2001.

**Comments And Recommendations**

- The Jailer Should Prepare Monthly Bank Reconciliations And Report Annually To The County Treasurer
- The Occupational Tax Collector Should Be Adequately Bonded
- The County Should Develop Written Operating Policies And Procedures As Part Of Their Control Activities For Federal Grants



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive  
Members of the Kenton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Kenton County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Kenton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Kenton County Golf Course Fund or of Kenton Housing, Inc. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Kenton County Golf Course Fund and Kenton Housing, Inc., is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Kenton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Kenton County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Richard L. Murgatroyd, Kenton County Judge/Executive  
Members of the Kenton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2002 on our consideration of Kenton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Kenton County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The Jailer Should Prepare Monthly Bank Reconciliations And Report Annually To The County Treasurer
- The Occupational Tax Collector Should Be Adequately Bonded
- The County Should Develop Written Operating Policies And Procedures As Part Of Their Control Activities For Federal Grants

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2002



KENTON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Richard L. Murgatroyd	County Judge/Executive
Barbara Black	Commissioner
Dan Humpert	Commissioner
Adam Koenig	Commissioner

**Other Elected Officials:**

Garry Edmondson	County Attorney
Terrance Carl	Jailer
William Aylor	County Clerk
Mary Ann Woltenberg	Circuit Court Clerk
Charles L. Korzenborn	Sheriff
Mark Vogt	Property Valuation Administrator
David Suetholz	Coroner

**Appointed Personnel:**

Ivan Frye	County Treasurer
Rob Owens	Occupational Tax Collector
Brenda Spare	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



KENTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 6,742,626	
Investments (Note 3)	1,000,000	
Road and Bridge Fund:		
Cash	1,526,315	
Jail Fund:		
Cash	441,758	
Local Government Economic Assistance Fund:		
Cash	15,640	
Occupational License Tax Fund:		
Cash	10,762,763	
Self-Insurance Fund:		
Cash	1,647,574	
Flex Spending Account - Cash	7,586	
Kenton County/Cities Tax Account - Cash	7,722	
Retirement Account - Cash	1,173	\$ 22,153,157

Special Revenue Fund Type

CDBG Fund:

Cash	\$ 539,382	
Notes Receivable (Note 4)	331,287	
Special Police Fund:		
Cash	137,410	1,008,079

Capital Projects Fund Type

Public Properties Corporation Fund - Parking Facilities

Project:		
Project Account - Cash	\$ 597,200	
Public Properties Corporation Fund - Courthouse Facilities		
Project:		
Project Account - Cash	1,287,068	1,884,268

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Bond Account - Cash	\$	2,139
Debt Service Reserve Account-		
Cash		80,399
Investments		1,005,127

Public Properties Corporation Fund - Park and Recreational

Facility Project:

Bond Account - Cash		14,634
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Public Properties Corporation Fund - Parking Facilities

Project:

Bond Account - Cash		96,561
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Public Properties Corporation Fund - Courthouse Facilities

Project:

Bond Account - Cash	<u>319,681</u>	\$ 1,518,541
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Other Resources

General Fund Type

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital		
Lease Obligations - Bond Principal Payments		3,119,231

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Amounts to be Provided in Future Years for		
Bond Principal Payments	\$	1,957,861

Public Properties Corporation Fund - Park and Recreational

Facility Project:

Amounts to be Provided in Future Years for		
Bond Principal Payments		2,145,366

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2001  
(Continued)

Assets and Other Resources (Continued)

Other Resources (Continued)

Debt Service Fund Type (Continued)

Public Properties Corporation Fund - Parking Facilities

Project:

Amounts to be Provided in Future Years for Bond Principal Payments	\$ 15,038,439
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Public Properties Corporation Fund - Courthouse Facilities

Project:

Amounts to be Provided in Future Years for Bond Principal Payments	<u>18,975,319</u>	\$ 38,116,985
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Other

Accounts Payable Account	<u>17,937</u>
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Total Assets and Other Resources	<u><u>\$ 67,818,198</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

Jail Fund:

Amounts to be Provided in Future Years for Jail Capital Lease Obligations - Bond Principal Payments (Note 6)	\$ 3,119,231
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Retirement Account	1,173
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Special Revenue Fund Type

CDBG Fund:

Deferred Revenue (Note 4)	331,287
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The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare  
 Facility Project:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 5A)	\$ 1,960,000	
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Public Properties Corporation Fund - Park and Recreational  
 Facility Project:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 5B)	2,160,000	
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Public Properties Corporation Fund - Parking Facilities  
 Project:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 5C)	15,135,000	
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Public Properties Corporation Fund - Courthouse Facilities  
 Project:

Amounts to be Provided in Future Years for Bond Principal Payments (Note 5D)	<u>19,295,000</u>	\$ 38,550,000
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Fund Balances

Reserved:

General Fund Type

Occupational License Tax Fund	\$ 10,762,763	
Self-Insurance Fund	1,647,574	
Kenton County/Cities Tax Account	7,722	
Flex Spending Account	<u>7,586</u>	12,425,645

Special Revenue Fund Type

CDBG Fund	\$ 539,382	
Special Police Fund	<u>137,410</u>	676,792

The accompanying notes are an integral part of the financial statements.



KENTON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Capital Projects Fund Type

Public Properties Corporation Fund - Parking Facilities

Project:

Project Account \$ 597,200

Public Properties Corporation Fund - Courthouse Facilities

Project:

Project Account 1,287,068 \$ 1,884,268

Debt Service Fund Type

Public Properties Corporation Fund - Nursing and Healthcare

Facility Project:

Debt Service Reserve Account 1,085,526

Unreserved:

General Fund Type

General Fund	\$ 7,742,626	
Road and Bridge Fund	1,526,315	
Jail Fund	441,758	
Local Government Economic Assistance Fund	<u>15,640</u>	9,726,339

Other

Accounts Payable Account	<u>17,937</u>
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Total Liabilities and Fund Balances	<u><u>\$ 67,818,198</u></u>
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

KENTON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 35,264,363	\$ 17,895,399	\$ 1,485,640	\$ 3,020,135
Transfers In	9,765,492	590,263	3,764,738	2,893,640
Transfers In - Admin. Fees and Other	675,938	675,938		
Tax Anticipation Note Borrowed	10,000,000	10,000,000		
Contributions	2,922,096			
City Payroll Taxes Collected	11,765,377			
Other Revenue	1,396,804			
Total Cash Receipts	<u>\$ 71,790,070</u>	<u>\$ 29,161,600</u>	<u>\$ 5,250,378</u>	<u>\$ 5,913,775</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 33,088,210	\$ 14,814,278	\$ 4,900,696	\$ 5,478,786
Transfers Out	9,765,492	3,112,420		
Transfers Out - Admin. Fees and Other	675,938			
Claims Paid	2,560,885			
Risk Management and Administrative Fees	87,880			
Employee Reimbursements	16,260			
Bond Principal Paid	1,971,300			136,300
Bond Interest Paid	2,015,341			
Tax Anticipation Note Repaid	10,000,000	10,000,000		
City Payroll Taxes Distributed	11,656,718			
Other Expenditures	182,672			
Total Cash Disbursements	<u>\$ 72,020,696</u>	<u>\$ 27,926,698</u>	<u>\$ 4,900,696</u>	<u>\$ 5,615,086</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (230,626)	\$ 1,234,902	\$ 349,682	\$ 298,689
Cash Balance - July 1, 2000	<u>26,462,211</u>	<u>6,507,724</u>	<u>1,176,633</u>	<u>143,069</u>
Cash Balance - June 30, 2001	<u>\$ 26,231,585</u>	<u>\$ 7,742,626</u>	<u>\$ 1,526,315</u>	<u>\$ 441,758</u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

General Fund Types				
Local Government Economic Assistance Fund	Occupational License Tax Fund	Self-Insurance Fund	Flex Spending Account	Kenton County/Cities Tax Collection Account
\$ 17,386	\$ 12,048,728	\$ 72,979	\$	\$
		2,906,639	15,457	11,765,377
		93,606		
<u>\$ 17,386</u>	<u>\$ 12,048,728</u>	<u>\$ 3,073,224</u>	<u>\$ 15,457</u>	<u>\$ 11,765,377</u>
\$ 18,010	\$ 7,386,511 6,579,809 575,001	\$ 2,560,885 86,680	\$ 1,200 16,260	\$ 100,937
		182,672		11,656,718
<u>\$ 18,010</u>	<u>\$ 14,541,321</u>	<u>\$ 2,830,237</u>	<u>\$ 17,460</u>	<u>\$ 11,757,655</u>
\$ (624) 16,264	\$ (2,492,593) 13,255,356	\$ 242,987 1,404,587	\$ (2,003) 9,589	\$ 7,722
<u>\$ 15,640</u>	<u>\$ 10,762,763</u>	<u>\$ 1,647,574</u>	<u>\$ 7,586</u>	<u>\$ 7,722</u>

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

	<u>Special Revenue Fund Types</u>		<u>Capital Projects Fund Types</u>	
	Community Development Block Grant Fund	Special Police Fund	Public Properties Corporation Fund-Parking Facilities Project	Public Properties Corporation Fund-Court- house Facilities Project
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 439,889	\$ 95,230	\$ 30,184	\$ 65,050
Transfers In				
Transfers In - Admin. Fees and Other				
Tax Anticipation Note Borrowed				
Contributions				
City Payroll Taxes Collected				
Other Revenue				
Total Cash Receipts	<u>\$ 439,889</u>	<u>\$ 95,230</u>	<u>\$ 30,184</u>	<u>\$ 65,050</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 489,929	\$	\$	\$
Transfers Out		73,263		
Transfers Out - Admin. Fees and Other				
Claims Paid				
Risk Management and Administrative Fees				
Employee Reimbursements				
Bond Principal Paid				
Bond Interest Paid				
Tax Anticipation Note Repaid				
City Payroll Taxes Distributed				
Other Expenditures				
Total Cash Disbursements	<u>\$ 489,929</u>	<u>\$ 73,263</u>	<u>\$ 0</u>	<u>\$ 0</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (50,040)	\$ 21,967	\$ 30,184	\$ 65,050
Cash Balance - July 1, 2000	<u>589,422</u>	<u>115,443</u>	<u>567,016</u>	<u>1,222,018</u>
Cash Balance - June 30, 2001	<u>\$ 539,382</u>	<u>\$ 137,410</u>	<u>\$ 597,200</u>	<u>\$ 1,287,068</u>

\* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

Debt Service Fund Types			
Public Properties Corporation Fund-Nursing and Health Care Project	Public Properties Corporation Fund-Park and Recreational Facilities Project	Public Properties Corporation Fund-Parking Facilities Project	Public Properties Corporation Fund-Court- House Facilities Project
\$ 61,778 866,926	\$ 872 218,780	\$ 5,641 1,431,145	\$ 25,452
7,198			1,296,000
\$ 935,902	\$ 219,652	\$ 1,436,786	\$ 1,321,452
\$	\$	\$	\$
810,000 97,246	100,000 118,780	605,000 826,145	320,000 973,170
\$ 907,246	\$ 218,780	\$ 1,431,145	\$ 1,293,170
\$ 28,656 1,059,009	\$ 872 13,762	\$ 5,641 90,920	\$ 28,282 291,399
\$ 1,087,665	\$ 14,634	\$ 96,561	\$ 319,681

The accompanying notes are an integral part of the financial statements.

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Kenton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Funds as part of the reporting entity. Also included are the Kenton County Golf Course Fund and Kenton Housing, Inc. (Rosedale Manor Nursing Home), which were audited by other auditors and are included in Appendices B and C.

Public Properties Corporation Funds are component units. Kenton County is financially accountable for Public Properties. They were set up solely for the benefit of the Kenton County Fiscal Court, and the Board of Directors of the Public Properties Corporation Funds consists of members of the Fiscal Court. Their financial data is blended with the financial data of the County.

The Kenton County Golf Course Fund is a component unit of the County. It is legally a part of the County. This fund is audited by other auditors, and its financial data is presented in their report, which is included as Appendix B.

Kenton Housing, Inc. (Rosedale Manor Nursing Home) is owned by the County and therefore is a component unit of Kenton County. Kenton County Public Properties Corporation issued bonds for the construction of Rosedale Manor in 1993. TANK taxes are used for payment of bond principal and interest. Therefore, the facility is a financial burden to the County. This component unit is audited by other auditors, and its financial data is presented in their report, which is included as Appendix C.

Additional - Kenton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Kenton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.



KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Kenton County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Kenton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), Occupational License Tax Fund, Kenton County/Cities Tax Collection Account, Flex Spending Account, and the Self-Insurance Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The CDBG Fund and the Special Police Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Public Properties Corporation Fund - Nursing and Healthcare Project, Public Properties Corporation Fund - Park and Recreational Facilities Project, Public Properties Corporation Fund - Parking Facilities Project, and the Public Properties Corporation Fund - Courthouse Facilities Project. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Fund - Parking Facilities Project and the Public Properties Corporation Fund - Courthouse Facilities Project Fund of the Fiscal Court are reported as Capital Projects Fund Types.

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Kenton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1. The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund - Nursing and Healthcare Project, Public Properties Corporation Fund - Park and Recreational Facilities Project, Public Properties Corporation Fund - Parking Facilities Project, and the Public Properties Corporation Fund - Courthouse Facilities Project because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of the Kenton County Fiscal Court: Kenton County Airport Authority.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are considered joint ventures of the Kenton County Fiscal Court: Convention and Visitor's Bureau, Convention Center's Board, Sanitation District Board, Telecommunications Board of Northern Kentucky, and the Northern Kentucky Drug Strike Force.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category 1	Category 2	Category 3	Carrying Amount	Market Value
U.S. Treasury Notes	\$ 1,000,000	\$	\$	\$ 1,000,000	\$ 1,080,915

Note 4. Receivables

The following receivables were due the Community Development Block Grant Fund for loans made from grant funds:

Due From	Interest/Length of Loan	Balance Due June 30, 2001
Fort Mitchell Development LLC (12/1/86)	3% for 15 Years	\$ 319,776
Piner-Fiskburg Ambulance Service (8/27/97)	5% for 5 Years	11,511
Total		<u>\$ 331,287</u>

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt

A. Public Properties Corporation Fund - Nursing and Health Care Facilities Bond Issue:

The Corporation issued first mortgage bonds dated December 1, 1967, to provide funds for the construction of the Covington-Kenton County Municipal Building. The total bond issue of \$3,465,000 was in denominations of \$5,000; all mature on December 1 of each year between 1969 and 2007, with interest of 5.50% to 6% payable on June 1 and December 1 of each year. The debt service requirements were to be paid 25% by the county and 75% by the city as rentals for the use of the property.

On July 3, 1985, Kenton County Fiscal Court contributed \$1,782,942 to the Covington-Kenton County Public Properties Escrow Fund of 1985 in order to effect the defeasance of the outstanding bond. This amount, in addition to the \$228,360 transferred from the debt service fund, has been determined to be sufficient to meet all bonds and interest payments as they become due. Peoples Liberty Bank and Trust Company is the escrow agent.

In order to effect the refunding of the 1989 Series first mortgage bonds, the Kenton County Fiscal Court also contributed \$1,999,992 to the Kenton County Public Properties Corporation 1989 Bond Defeasance Escrow Fund. A total of \$7,713,235 is available to pay the old bonds as they come due. This escrow fund has been determined to be sufficient to meet all bond and interest payments as they become due. Fifth Third Bank is the escrow agent.

The Kenton County Public Properties Corporation issued first mortgage refunding bonds dated June 2, 1993, to provide funds for the refunding of the 1989 Series first mortgage bonds for the construction of the Kenton County Nursing Home (Rosedale Manor). The total bond issue of \$7,575,000 was in denominations of \$5,000; all mature on October 1 of each year between 1993 and 2003, with interest of 4% to 4.125% payable on April 1 and October 1 of each year. The bonds outstanding at June 30, 2001, are \$1,960,000. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2002	4.100%	\$ 835,000	\$ 63,524
2003	4.125%	860,000	28,669
2004	4.125%	265,000	5,466
Total		<u>\$ 1,960,000</u>	<u>\$ 97,659</u>

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

B. Public Properties Corporation Fund - Park and Recreational Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a park and recreational facilities project dated July 1, 1995. The total bond issue of \$2,700,000 was in denominations of \$5,000; all mature on April 1 of each year between 1996 and 2015, with interest of 3.5% to 5.65% payable on April 1 and October 1 of each year. The bonds outstanding on June 30, 2001, are \$2,160,000. Fifth Third Bank is the escrow agent. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2002	4.500%	\$ 105,000	\$ 114,380
2003	4.600%	110,000	109,655
2004	4.600%	115,000	104,595
2005	4.900%	125,000	99,132
2006	5.000%	130,000	93,008
2007-15	4.75-5.65%	<u>1,575,000</u>	<u>473,258</u>
Total		<u>\$ 2,160,000</u>	<u>\$ 994,028</u>

C. Public Properties Corporation Fund - Parking Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a parking facilities project dated December 1, 1996. The total bond issue of \$17,400,000 was in denominations of \$5,000 and integral multiples thereof; all mature on December 1 of each year between 1997 and 2016, with interest of 4.5% to 5.7% payable on June 1 and December 1 of each year. The bonds outstanding on June 30, 2001, are \$15,135,000. Fifth Third Bank is the paying agent and bond registrar. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2002	4.700%	\$ 630,000	\$ 797,122
2003	4.700%	660,000	766,808
2004	4.800%	690,000	734,738
2005	4.900%	725,000	700,415
2006	5.000%	760,000	663,652
2007-17	4.900-5.700%	<u>11,670,000</u>	<u>3,961,855</u>
Total		<u>\$ 15,135,000</u>	<u>\$ 7,624,590</u>

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

D. Public Properties Corporation Fund - Courthouse Facilities Project Bond Issue:

The Kenton County Public Properties Corporation issued first mortgage revenue bonds to provide funds for a courthouse facilities project dated June 1, 1998. The total bond issue of \$19,920,000 was in multiples of \$5,000 and integral multiples thereof; all mature on March 1 of each year between 2000 and 2029, with interest of 4.85% to 5.00% payable on March 1 and September 1 of each year. The bonds outstanding as of June 30, 2001, are \$19,295,000. Fifth Third Bank is the paying agent. The debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2002	4.85%	\$ 335,000	\$ 957,650
2003	4.85%	350,000	941,403
2004	4.85%	370,000	924,428
2005	4.85%	385,000	906,482
2006	4.85%	405,000	887,810
2007-2029	4.85% -5.00%	<u>17,450,000</u>	<u>12,277,767</u>
Total		<u>\$ 19,295,000</u>	<u>\$ 16,895,540</u>

Note 6. Long-Term Participation Agreement

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The Authority issued \$10,495,487 of revenue bonds at various interest rates (4.5% through 7.0%), of which the county has agreed to pay \$4,438,213 principal and a proportional share of interest on the issue. Revenue bonds outstanding at June 30, 2001, totaled \$3,119,231. Debt service requirements due in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 144,914	\$ 193,195
2003	154,103	183,715
2004	163,874	173,633
2005	174,266	162,916
2006	185,316	151,512
2007-2015	<u>2,296,758</u>	<u>714,747</u>
Total	<u>\$ 3,119,231</u>	<u>\$ 1,579,718</u>

KENTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Self-Insurance Funds

Kenton County maintains a health insurance fund to provide health and dental insurance for their employees. They also maintain a self-insurance fund to provide liability and workmen's compensation for their employees.

Note 8. Flex Spending Account

Kenton County maintains a flex spending account to provide tax-sheltered deductions for dependent childcare and medical expenses.

Note 9. Jail Canteen Fund

Jail canteen operations are authorized under KRS 441.135(1), which allows the Jailer to sell snacks, sodas, cigarettes, etc. to inmates incarcerated in the local jail. The profits generated from the sale of these items are to be used for the benefit or recreation of the inmates. Also applicable to canteen operations is KRS 441.135(2) which requires the Jailer to maintain minimum accounting records and report annually to the County Treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides further accounting and expenditure guidance for acceptable jail canteen operation.

During the Fiscal Year Ending June 30, 2001, the Kenton County jail canteen received \$622,561 and expended \$636,358. The jail canteen reported June 30 ending balances of \$58,648 and of \$44,851 for 2000 and 2001 respectively.

Note 10. Pending Litigation

There is a lawsuit against Kenton County Fiscal Court by the City of Covington, et al. It is a lawsuit to declare that the County's occupational license fee is illegal. This matter is not covered by insurance. The impact of this litigation, if it is successful against the County, is that it would result in a substantial decrease in income to the County and many County agencies, as well as organizations which depend upon the fee for a substantial part of their operating budget. The outcome of this litigation has not yet been determined.

Note 11. Subsequent Events

Subsequent to June 30, 2001, the County Judge/Executive issued Executive Order 01-140 in reference to Ordinance No. 225.19 and 225.25. The ordinances called for an increase in Occupational License fees related to transportation. The order authorized the County Treasurer to stop collecting the increase and to submit a plan for the repayment of said fees. The order was issued on the basis of a June 1, 2001 decision by the Kenton Circuit Court, which challenged the legality of the increase. On December 18, 2001, the fiscal court approved the County Treasurer's plan to repay the Occupational License fees. As of April 29, 2002, the county has distributed \$2,844,521 in refunds.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



KENTON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 58,535,560	\$ 17,895,399	\$ (40,640,161)
Road and Bridge Fund	4,678,738	1,485,640	(3,193,098)
Jail Fund	6,150,000	3,020,135	(3,129,865)
Local Government Economic Assistance Fund	16,500	17,386	886
Occupational License Tax Fund	9,798,262	12,048,728	2,250,466
<u>Special Revenue Fund Type</u>			
Community Development Block Grant Fund	<u>285,000</u>	<u>439,889</u>	<u>154,889</u>
Totals	<u>\$ 79,464,060</u>	<u>\$ 34,907,177</u>	<u>\$ (44,556,883)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 79,464,060
Add: Budgeted Prior Year Surplus			19,688,440
Less: Other Financing Uses			<u>(13,693,750)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 85,458,750</u>

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SCHEDULE OF OPERATING REVENUE



KENTON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 21,179,040	\$ 21,179,040	\$	\$	\$
In Lieu Tax Payments	24,750	24,750			
Excess Fees	1,167,619	1,167,619			
Licenses and Permits	156,272	156,272			
Intergovernmental Revenues	5,152,212	4,753,275	398,937		
Charges for Services	2,944,400	2,944,400			
Miscellaneous Revenues	2,168,760	2,163,760	5,000		
Interest Earned	2,303,101	2,078,172	35,952	95,234	93,743
Total Operating Revenue	<u>\$ 35,096,154</u>	<u>\$ 34,467,288</u>	<u>\$ 439,889</u>	<u>\$ 95,234</u>	<u>\$ 93,743</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

KENTON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,957,478	\$ 2,420,565	\$ 536,913
Protection to Persons and Property	8,580,954	7,865,729	715,225
General Health and Sanitation	2,973,700	1,574,096	1,399,604
Social Services	5,953,000	810,796	5,142,204
Recreation and Culture	727,200	649,557	77,643
Roads	3,315,200	2,877,493	437,707
Bus Service	6,543,262	5,414,228	1,129,034
Other Transportation Facilities and Services	5,925,588		5,925,588
Road Facilities	886,100	735,459	150,641
Debt Service	2,206,450	726,284	1,480,166
Capital Projects	37,006,500	4,050,009	32,956,491
Administration	7,698,318	5,474,065	2,224,253
Total Operating Budget - All General Fund Types	\$ 84,773,750	\$ 32,598,281	\$ 52,175,469
Other Financing Uses:			
Tax Anticipation Note- Principal	10,000,000	10,000,000	
Transfers to Public Property Corporation Funds	2,557,450	2,516,851	40,599
Jail Construction- Principal on Bonds	1,000,000		1,000,000
Jail Capital Lease Obligation- Principal on Bonds	136,300	136,300	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 98,467,500</u>	<u>\$ 45,251,432</u>	<u>\$ 53,216,068</u>

KENTON COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2001  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 548,992	\$ 489,929	\$ 59,063
Administration	136,008		136,008
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 685,000</u>	<u>\$ 489,929</u>	<u>\$ 195,071</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Richard L. Murgatroyd, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Kenton County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated April 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Kenton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs.

**Reference Number 2001-1**

- The Jailer Should Prepare Monthly Bank Reconciliations And Report Annually To The County Treasurer

**Reference Number 2001-2**

- The Occupational Tax Collector Should Be Adequately Bonded

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kenton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Kenton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs.

**Reference Number 2001-3**

- The County Should Develop Written Operating Policies And Procedures As Part Of Their Control Activities For Federal Grants

A material weakness is a condition in which the design or operation on one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2002



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Richard L. Murgatroyd, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Kenton County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. Kenton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Kenton County's management. Our responsibility is to express an opinion on Kenton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kenton County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Kenton County's compliance with those requirements.

In our opinion, Kenton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Kenton County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kenton County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Kenton County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

**Reference Number 2001-3**

- The County Should Develop Written Operating Policies And Procedures As Part Of Their Control Activities For Federal Grants

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
April 29, 2002

## FINDINGS AND QUESTIONED COSTS



KENTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Kenton County.
2. One reportable condition was disclosed during the audit of the financial statements and was reported in the Independent Auditor's Report.
3. Two instances of noncompliance material to the financial statements of Kenton County were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal awards programs was reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Kenton County expresses an unqualified opinion.
6. There was one audit finding relative to the major federal awards programs for Kenton County reported in Part C of this schedule.
7. The program tested as a major program was: Community Development Block Grant - Small Cities Program, CFDA #14.228.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Kenton County did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

STATE LAWS AND REGULATIONS

**Reference Number 2001-1**

The Jailer Should Prepare Monthly Bank Reconciliations And Report Annually To The County Treasurer

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During our review of the Jail Canteen Fund we discovered that timely bank reconciliations were not prepared. In addition, the Jailer did not present an annual report to the County Treasurer for the fiscal year ended June 30, 2001. The Department for Local Government, under the authority of KRS 441.135, established minimum accounting procedures which include preparing monthly bank reconciliations. These requirements are to be utilized by county jailers for Jail Canteen Funds maintained pursuant to KRS 441.135. Furthermore, KRS 441.135 requires the Jailer to maintain books of accounts of all receipts and disbursements for the jail canteen and to present an annual report to the County Treasurer. We recommend that the Jailer prepare timely bank reconciliations and report to the County Treasurer annually.

*Jailer Terrance Carl's Response:*

*We agree that monthly reconciliations should be done. They are, in fact, being done on a monthly basis with the new Canteen account for the current fiscal year. An abbreviated report was presented to the Treasurer detailing a problem with the account. A final report was not presented. With the auditor's guidance, a report will be presented after the end of the current fiscal year.*

*Judge/Executive Richard L. Murgatroyd's Response:*

*I concur with the auditor that monthly reconciliations are absolutely necessary. I agree with the comment and will follow up with the Jailer this year to insure the report is completed and filed with the Treasurer's office.*

KENTON COUNTY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2001  
 (Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

**Reference Number 2001-2**

The Occupational Tax Collector Should Be Adequately Bonded

A bond was not available for the Occupational Tax Collector. Pursuant to KRS 62.050, each person appointed to an office who is required to give bond shall give the bond within thirty (30) days after he receives notice of his appointment. We recommend that the fiscal court review the existence and/or amount of the Occupational Tax Collector's bond to determine if it is adequate.

*Judge/Executive Richard L. Murgatroyd's Response:*

*The Occupational Tax Collector is covered by the county employee blanket bond. A separate bond will be ordered based on the auditor recommendation.*

PRIOR YEAR

- The County Lacks Adequate Segregation Of Duties

This comment has been resolved in the current audit.

- The Jailer Should Prepare Monthly Bank Reconciliations

This comment has been resolved in the current audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
 AUDIT

**Reference Number 2001-3**

The County Should Develop Written Operating Policies And Procedures As Part Of Their Control Activities For Federal Grants

OMB Circular A-133 and Compliance Supplement dated March 2000 outline policies and procedures that should be clearly written and communicated as part of control activities for Federal grants. Written policies and procedures are required for Cash Management, Eligibility, Equipment and Real Property Management, Procurement and Suspension and Debarment, Program Income, Reporting, and Subrecipient Monitoring.

We recommended last year that the county implement these policies and procedures as soon as possible. To date, this has not been accomplished. For this year's audit of the Water Expansion Project, as well as for last year's audit, compliance issues for Cash Management and Subrecipient Monitoring should have been in place. However, we recommend that policies and procedures be written and available as soon as possible for all compliance issues as indicated.

*Judge/Executive Richard L. Murgatroyd's Response:*

*The county will work with the grant administrator and Northern KY. Water service to develop guidelines to comply with the requirements of OMB A-133.*



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



KENTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Housing and Urban Development</u>		
Passed-Through State Department for Local Government:		
Community Development Block Grants - Small Cities Program (Note 2) (CFDA #14.228)	B-97-DC-21-0001 (021)	\$ 363,937
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Local Law Enforcement Block Grant Program (CFDA #16.592 )	LLEB-288-2/00	5,740
<u>U.S. Department of Transportation</u>		
Passed-Through State Justice Cabinet:		
Traffic Safety Program - I-75 Police Grant (CFDA #20.604)	PSP #PT-00-16	1,744
Traffic Safety Program - I-75 Police Grant (CFDA #20.604)	PT-01-112	8,911
National Recreational Trails Fund Project (CFDA #20.205)	RTP 6198	12,205
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Hazard Mitigation Grant Program (CFDA #83.548)	1216-DR-KY-013	124,354
Disaster and Emergency Assistance Grants- Coordinator Salary (CFDA #83.503)	N/A	20,356
Total Cash Expenditures of Federal Awards		<u>\$ 537,247</u>

KENTON COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2001

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis.

Note 2 - The federal expenditures for the Community Development Block Grant - Small Cities Program include a grant to the following subrecipient:

<u>Subrecipient</u>	<u>CFDA Number</u>	<u>Pass-through Grant Amount</u>
Northern KY. Water District	14.228	B-97-DC-21-0001(021)

CERTIFICATION OF COMPLIANCE ñ  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

KENTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

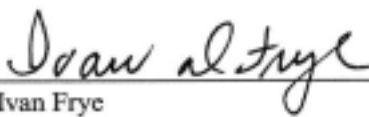


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
KENTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Kenton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Richard L. Murgatroyd  
County Judge/Executive

  
Ivan Frye  
County Treasurer





CPA AUDIT REPORT ON KENTON COUNTY GOLF COURSE

[Please click here to view this report.](#)

CPA AUDIT REPORT ON KENTON HOUSING, INC. (ROSEDALE MANOR NURSING HOME)

[Please click here to view this report.](#)